

Members

Tom Reilly, Chairman  
Phil Faccenda  
Terry White



# GOVERNMENT EFFICIENCY COMMISSION SUBCOMMITTEE ON HIGHER EDUCATION

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## MEETING MINUTES<sup>1</sup>

Meeting Date: February 24, 2004  
Meeting Time: 10:00 A.M.  
Meeting Place: 101 West Ohio, Suite 550  
Meeting City: Indianapolis, Indiana  
Meeting Number: 4

Members Present: Tom Reilly, Chairman; Phil Faccenda; Terry White.

Members Absent: None.

I. Call to Order and Attendance: The meeting of the Higher Education Subcommittee was called to order by Chairman Tom Reilly at 10:00 a.m. in the offices of the Indiana Commission for Higher Education, 101 West Ohio, Suite 550, Indianapolis. In attendance were subcommittee members Mr. Phil Faccenda and Mr. Terry White and advisory director Mr. Tim McGinley (via conference call). Also in attendance were Commissioner for Higher Education Stan Jones, designated staff advisor to the subcommittee, and Dennis Jones and Patrick Kelly from the National Center for Higher Education Management Systems.

Chairman Reilly confirmed the following upcoming meeting dates:

- April 26 and 27: Higher Education Subcommittee meetings with college and university presidents
- May 6: Higher Education Subcommittee meeting
- July 13: Higher Education Subcommittee meeting

## II. Presentation of Selected Data for Indiana Higher Education by Dennis Jones

Mr. Dennis Jones presented data comparing Indiana's public colleges and universities to peer institutions in the following areas:

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<sup>1</sup> Exhibits and other materials referenced in these minutes can be inspected and copied in the Legislative Information Center in Room 230 of the State House in Indianapolis, Indiana. Requests for copies may be mailed to the Legislative Information Center, Legislative Services Agency, 200 West Washington Street, Indianapolis, IN 46204-2789. A fee of \$0.15 per page and mailing costs will be charged for copies. These minutes are also available on the Internet at the General Assembly homepage. The URL address of the General Assembly homepage is <http://www.ai.org/legislative/>. No fee is charged for viewing, downloading, or printing minutes from the Internet.

1. participation rates and patterns;
2. revenues and expenditures;
3. undergraduate program proliferation;
4. graduation rates; and
5. funding for Indiana higher education relative to performance.

Discussion during the presentation followed the general outlines of the presentation.

#### Participation Rates and Patterns:

Mr. Jones commented that if all Indiana counties had postsecondary participation of at least the state average, statewide enrollment would increase by about 10 percent, and if all counties had participation at the 80<sup>th</sup> percentile, statewide enrollment would increase by about 25 percent.

Mr. Reilly pointed out that Indiana's statewide participation rate is lower than that of many states. Mr. White reminded the committee not to overlook the role of Indiana's independent colleges and universities in serving Indiana students.

#### Revenue and Expenditure Comparisons:

Mr. Jones gave a brief explanation of how peer institutions were selected, telling the committee that peers were selected based on where institutions are rather than where they would like to be.

Mr. Jones stated that based on NCHEMS's study, it appears that Indiana's public colleges and universities are not overfunded and that the state will not save much by squeezing the institutions. Indiana has a costly system, but it is not a collection of costly institutions.

Mr. Reilly suggested that NCHEMS's conclusion were very similar to the conclusions presented by the Commission for Higher Education staff in early subcommittee meetings and asked the Commission staff if they concurred.

Commissioner Jones agreed that the NCHEMS data and Commission data lead to similar conclusions and noted that as a state Indiana spends more than many others on higher education, but that on a campus-by-campus basis, most do not spend more than their peers.

Mr. Jones reported that among his major findings were that Indiana's research extensive universities—Purdue University West Lafayette and Indiana University Bloomington—were funded similarly to their peers in terms of state appropriations, student fees, and gifts and grants, but were low in research expenditures per FTE student compared to their peers.

Mr. McGinley questioned whether that assessment relied too much on gifts and grants.

Mr. Jones also noted that Indiana's research intensive institutions (Ball State University, Indiana State University, and IUPUI) spend and receive more money than most of their peers, that Indiana institutions are consistently lower than their peers in expenditures for student services, and that Ivy Tech State College spends much less on instruction than their peer institutions.

Mr. White asked Mr. Jones whether the data indicated that Indiana's system is expensive because it has too many institutions serving too few students. Mr. Jones replied that the system is expensive because of the large number of students in the comparatively expensive research universities compared to the small number of students in two-year institutions. He

also compared Indiana's system to California's distribution of students between the University of California, California State University, and California's community college system.

#### Undergraduate Program Proliferation:

Mr. Jones presented slides showing that while some institutions have a high number of programs relative to the size of their student bodies, as a system, Indiana institutions do not.

#### Effectiveness:

Mr. Jones presented slides indicating that with the exception of Indiana University Bloomington, all Indiana institutions performed low compared to their peers on six-year graduation rates for four-year institutions and three-year graduation rates for two-year institutions.

Mr. McGinley raised the question of peer groups again; i.e., whether the peers were chosen to reflect where institutions are now rather than where they aspire to be. Mr. Jones replied that they were chosen on the basis of where institutions are now.

Mr. White questioned why Indiana's institutions perform so poorly on this measure.

Mr. Reilly stated that he believed the cause was, once again, the structure of Indiana's system of higher education. With no fully developed two-year sector, the four-year institutions have comparatively low admissions criteria.

Mr. White asked whether that meant Indiana was setting some students up for failure.

Mr. Jones replied that without a complete two-year system, many students have no other place to go. He pointed out that there are, however, benefits to the Indiana system's emphasis on baccalaureate institutions as many states with large community college systems have low baccalaureate degree attainment.

Mr. Reilly suggested that this topic should be pursued in the conversations the subcommittee has scheduled with the presidents. He also followed up on Mr. Jones's comment about baccalaureate attainment, mentioning that President Herbert of Indiana University believes that a bias toward baccalaureate education is better than a bias toward associate degree education.

Mr. Jones agreed that the Indiana system is tilted toward baccalaureate education and contrasted it with other states. He suggested that developing adequate transfer points is critical for baccalaureate attainment in systems tilted toward the two-year level.

#### Funding Relative to Performance:

Mr. Kelly stated that as a state, Indiana does not receive results commensurate with funding for higher education. Performance was measured by sector and included participation, graduation rates, degree production relative to enrollment, and research expenditures. Not all factors applied to all sectors.

Mr. Kelly then summarized performance by sector. Research extensive institutions (Purdue University West Lafayette and Indiana University Bloomington) performed best in Indiana as measured by their performance relative to states at the 80<sup>th</sup> percentile of performance. They did not perform particularly well overall, but they were not well funded either. Research intensive institutions (Ball State University, Indiana State University, and IUPUI) perform worse than expected given their relatively high funding. The bachelors and masters institutions

(Indiana University and Purdue University regional campuses and the University of Southern Indiana) perform low, but they are also underfunded compared to the best performing states. The two-year sector is not underfunded relative to performance.

Mr. Jones summarized the presentation by saying that Indiana is not getting what other states are getting for the same expenditures, though the “bang for the buck” is good for IU Bloomington and PU West Lafayette compared to the other sectors. Mr. Jones also noted that the peer analysis from the first part of the NCHEMS presentation is more rigorous than the national comparisons.

Mr. Kelly mentioned that it is rare for a state to have two high performing research extensive universities like Indiana.

### III. General Discussion of Topics Raised by the Presentation

Mr. Reilly summarized his take on the presentation by saying that there is an inverted triangle in Indiana, that Indiana has a lot of baccalaureate activity, that Indiana is low in associate degree production, and that overall effectiveness is below average except for the research extensive level.

Mr. White expressed surprise at the low level of associate degree production given that all of Indiana’s four-year institutions also offer associate degrees.

Mr. Jones agreed that Indiana is low in associate degree production and noted that the state exports baccalaureate degrees and imports people with lower educational attainment. He noted that it is not clear if the exports are students who came to study from out of state or are Indiana residents.

Mr. White and Mr. Reilly requested copies of institutional mission statements. They were provided by the Commission staff.

Mr. Reilly briefly discussed resources per output and noted that expenditures per student were higher than average at the research intensive institutions (Ball State U, Indiana State U, and IUPUI).

Mr. McGinley again raised the issue of resources with Mr. Jones. He suggested that the committee should be looking at state appropriations, student fees, and private gifts and grants separately. He stated that he did not believe the grouping was particularly useful and that it masked state appropriations that are too low.

Mr. Jones replied that the first question in peer analysis is to ask is whether an institution has adequate funding overall, including all sources of funds. Where the funds come is a matter of state priority and policy. There is no right answer to the question of how much the state should contribute.

Mr. McGinley replied that including private giving makes it appear that a private dollar is as good as a public dollar, which leads to mediocrity. Simply shifting funding sources does not improve quality.

Mr. Reilly wondered if Purdue University could ever become a great university while required to do all the things the state demands of it, and suggested that maybe state funding should fall to zero in the next five to ten years.

Mr. McGinley replied that it would take 50 years to reach an endowment that could replace state appropriations.

Mr. Reilly said that Purdue would need to enroll many more graduate students and students from out of state to reach the top level of universities.

Mr. McGinley replied that Purdue is moving incrementally in that direction, but warned against discouraging private fundraising by substituting private dollars for state and tuition dollars. He also noted that he does not believe that Purdue is ahead of its peers in private fundraising.

Mr. White asked Commissioner Jones what has resulted from the marriage of Ivy Tech State College and Vincennes University. Commissioner Jones responded that the two-year sector has added 22,500 students in the four years since the creation of the Community College of Indiana.

A general discussion of community colleges followed, and Mr. Reilly raised the example of Sinclair Community College in Dayton, Ohio. The discussion included the role of local funding for community colleges. Mr. Jones stated that the typical funding distribution for community colleges with a local property tax is 40 percent state funding, 40 percent local funding, and 20 percent tuition and fees.

The subcommittee next addressed the questions it wants to raise in its meetings with the presidents. Possible questions are:

1. Is there a mechanism to make Indiana's research extensive institutions—including the IU School of Medicine—engines of economic development without breaking the state?
2. Is the state too "biased" toward baccalaureate programs? Do we have too much capacity there, and are we setting students up to fail?
3. What is the role of the regional campuses?

To the last point, Mr. White asked whether we had too many of them and why so many offer associates degrees. Commissioner Jones replied that Indiana is an anomaly, and in fact, two-year institutions in many states want to award four-year degrees as opposed to four-year institutions wanting to award two-year degrees.

Mr. White suggested that the four-year institutions were reaching for additional students and additional funding by pursuing two-year degrees. Commissioner Jones noted that under the terms of the regional campus agreement, the regional campuses are moving away from two-year degrees and toward additional baccalaureate and masters degrees.

Mr. Reilly asked whether that policy is only creating more baccalaureate capacity, and suggested that instead, the regional campuses should become community colleges. He noted their low graduation rates and suggested again that Indiana's system sets students up to fail.

Mr. Jones answered that fixing these problems probably comes down to money. If the research extensive campuses could shed undergraduates without losing the fee income, they would probably do it.

Mr. Reilly asked whether higher education in Indiana could expand without additional state funding. Mr. Jones responded that in order to answer that question, one would have to consider how the state uses all the resources at its disposal, including appropriations, tuition

and fees, and financial aid. In any event, however, the state could not educate 25,000 to 50,000 additional students at no cost to the state.

Continuing the regional campus discussion, Mr. Jones reminded the committee not to focus too highly on the research campuses to the detriment of the regional campuses, which can assist the state's economic development through the development of excellent workforce training programs. Right now, the regional campus culture is not targeted toward workforce training; rather, they are very connected to their mother institutions.

Mr. Reilly asked whether a part of the regional campuses could become separate entities more akin to community colleges. Commissioner Jones responded that the idea was broached at various times to the campuses, but that they responded negatively. Mr. Jones responded that cultural change at four-year regional campuses would be very difficult as they are focused on academic programs rather than the workforce needs of their communities.

Mr. Reilly raised the question of how the data prepared by NCHEMS could be used to make Indiana more competitive. The regional campuses have a great deal of momentum built into them, so it is hard to address shortcomings.

Commissioner Jones responded that the system can't be turned overnight—specific incentives and disincentives need to be used to change behavior.

Mr. Jones added that changing the system is not just about adding money; it is also about how the money is spent. He suggested that the subcommittee consider all the money spent on education in the state, including federal adult basic education funds, economic development funds, and K-12 spending, and how it could best be deployed.

#### IV. Next Steps

Mr. Reilly asked the group to think about its next steps. Mr. Jones replied that NCHEMS is now prepared to do an open capacity and policy audit of the institutions. The studies will include state appropriations, tuition and fee revenues, and state financial aid policies and will evaluate the current incentives and disincentives built into the state's higher education budgeting process. NCHEMS will also be traveling around the state to interview campus and local leaders. NCHEMS will also develop a set of questions to help the subcommittee members frame their discussions with the institutional presidents.

Mr. Reilly suggested that Mr. Jones and NCHEMS “push the envelope” as they carry out their next steps. He mentioned that there were many pieces of the system not operating at their full potential that need to be challenged. Commissioner Jones suggested that NCHEMS develop a variety of options for the subcommittee.

Mr. Faccenda noted that the problems Indiana's institutions face are similar to the problems faced by independent colleges and universities. All the parts of the institution—money, faculty, students, and alumni—have to be addressed simultaneously if change is to be effective.

In addition to the regular meeting schedule, Mr. Jones will present selections from the data he has presented to the subcommittee at the March 12 regular meeting of the Commission for Higher Education. Also, the Commission staff was charged with setting up a visit to Sinclair Community College sometime between April 12 and April 23.

V. Adjournment. The meeting adjourned at approximately 1:30 p.m.